

Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

February 9, 2023

MEMORANDUM

To: Ms. Alison L. Serino, Principal
Westland Middle School

From: Mary J. Bergstresser, Supervisor, Internal Audit Unit



Subject: Report on Audit of Independent Activity Funds for the Period
June 1, 2021 through November 30, 2022

Independent Activity Funds (IAFs) of Montgomery County Public Schools (MCPS) are established to promote the general welfare, education, and morale of students, as well as to finance the recognized extracurricular activities of the student body. School principals are the fiduciary agents for the IAFs charged with determining the manner in which funds are raised and expended for activities such as field trips, admission events, and fundraisers. They are responsible for ensuring that the IAFs are administered in accordance with Board of Education policies and MCPS regulations and procedures.

The IAF audits are conducted regularly to evaluate compliance with policies, regulations, and procedures, and to review processes for continuous improvement. Generally accepted audit procedures guide the work of the auditors who examine samples of the IAF records and financial accounts selected from documentation of various activities to verify their accuracy, as well as to assess the effectiveness of financial control procedures. An IAF audit does not review every transaction or school activity but seeks to provide reasonable assurance that any significant errors or omissions in the financial records are detected.

At our January 26, 2023, meeting with you and Mrs. Suzanne W. Marcou, school financial specialist, we reviewed the prior audit report dated July 28, 2021, and the status of the present conditions. This audit report presents the findings and recommendations resulting from our examination of the IAF records and financial accounts for your school for the period designated above.

Findings and Recommendations

MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase (refer to the *MCPS Financial Manual*, chapter 20, page 4). The purpose of each disbursement must be fully explained on this form in order to properly record expenditures in appropriate accounts, and to ensure that expenditures comply with IAF requirements. Invoices for goods or services must be signed by the purchaser to

indicate satisfactory receipt. The school financial specialist will then mark the documentation as “paid” prior to disbursing the funds. In our sample of disbursements, we found instances in which controls over purchases were weakened due to MCPS Form 280-54 not being completed in its entirety to include requested amount of purchase prior to principal’s approval. We recommend that MCPS Form 280-54 be prepared by staff with an estimate of expected expenditure. We also recommend that a funding source and the account balance be included on the form. The completed form can then be reviewed by school financial specialist for accuracy, signed and date, and then presented to the principal for signature of approval. Once this is completed the purchase can be made.

Fund raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. We found that there was a lack of adherence to these guidelines. Following these internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event. Each fund raiser initiative must be approved by the principal in writing and the approval retained in the school office. Financial activities for each fund-raising activity must be recorded in a separate account in the 7000 series and a completion report prepared that analyzes the results. We recommend that staff are informed of expectations and guidelines for sponsoring an IAF fund-raiser, that the principal approves all fundraisers, sponsors complete the fundraiser completion report, and that the school financial specialist monitors activity to ensure guidelines are being followed (refer to the *MCPS Financial Manual*, chapter 20, page 13).

Admission receipts for events must be controlled according to MCPS Regulation DMB-RA, *Control of Admission Receipts*. Admission event controls include serially numbered tickets, separation of duties, use of the required MCPS Form 280-50, *Tickets and Cash Report of Admissions Manager*, for tracking and reconciling sales, and a perpetual inventory of tickets. We found admission events were recorded in class accounts, and that tickets and ticket reports were not always issued and prepared for these events. We recommend that procedures for sale of tickets be reviewed with appropriate staff prior to events, that all tickets be serially numbered and issued by the ticket controller, and that a perpetual inventory is maintained.

Notice of Findings and Recommendations

- MCPS Form 280-54, *Independent Activity Funds Request for a Purchase* must be completed with all required information prior to presenting to principal for signature for pre-approval.
- Fund-raisers must be approved by the principal prior to advertising or conducting the activity.
- Fund-raiser completion reports must be prepared by the sponsor for review by the principal.
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA.

Other matters were discussed and satisfactorily resolved. We appreciate the cooperation and assistance of your staff. In accordance with MCPS Regulation DIA-RA, *Accounting for Financial*

Operations/Independent Activity Funds, using the attached action plan, please provide a written response to the Internal Audit Unit within 30 calendar days of this report. In your response, please share a detailed plan for addressing these issues, including appropriate staff training and support.

Prior to returning your completed audit action plan, please contact Dr. Tamitha E. Campbell, director of school support and well-being, Office of Student Support and Well-Being, for written approval of your plan. Based on the audit recommendations, Dr. Campbell will indicate whether it is necessary to conduct an electronic review of your action plan or schedule a time to meet in person with you and your school financial specialist to support you with developing a well-defined plan to address the findings.

MJB:LMB:rg

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Mr. Hull

Dr. Murphy

Ms. Reuben

Mr. Stockton

Mrs. Williams

Dr. Moran

Mr. Reilly

Dr. Campbell

Mrs. Chen

Ms. Eader

Mr. Klausling

Mrs. Ripoli

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date:	Fiscal Year: inc FY22 and FY23
School: Westland MS - 412	Principal: Alison L. Serino
OSSWB Associate Superintendent: Mr. Peter Moran	OSSWB Director: Dr. Tamitha Campbell

Strategic Improvement Focus:

As noted in the financial audit for the period 6/1/21 - 11/30/22, strategic improvements are required in the following business processes :
purchase requests, fund-raisers, and admission events.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Ensure that MCPS Form 280-54 is completed fully with all required information - including proof of Principal pre-approval if conditions warrant - prior to any spending or check disbursement. This process will be communicated to all staff during pre-service and adhered to going forward.	Principal, School Finance Specialist, Teaching Staff, & Support Staff	Time w staff - communicate process. Copies of MCPS Form 280-54.	Visual confirmation that Form 280-54 is completely and accurately completed prior to any IAF purchase or check disbursement.	Principal and SFS to confirm checks presented for signature contain Form 280-54 with documentation.	
Staff members with regularly-scheduled IAF spending will be encouraged to provide a budget to Principal for pre-approval of expected spending for the year. This process will be communicated to appropriate staff during Instructional Leadership week and adhered to going forward.	Staff, SFS, Principal	Sample budget to provide to staff. Time for staff to prepare budget.	Visual confirmation that expected spending is within bounds of accounts' historical spending.	Principal, SFS, and staffer will monitor account reports to confirm expenditures are within budget.	
Fund-raising events will be planned, documented, and approved in advance of any activity being advertised or conducted.	Staff sponsoring event, Principal, SFS	Easily accessible fund-raiser guidelines and documents.	Visual confirmation that approved documents have been signed as approved.	Principal and SFS will confirm documents are on file in advance of fund-raising.	
Fund-raiser completion activities will be required to be calculated and submitted for reference and audit purposes.	Event Sponsor, Principal, SFS	Easily accessible fund-raiser reconciliation documents and time.	Visual confirmation that documents have been completed accurately.	SFS and Principal will review documents for accuracy upon submission by event sponsor.	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Admission event sponsors to keep records of payments and complimentary admissions. Purchasers will be issued from serially / chronologically numbered stock. Inventory of all tickets to be kept secure. Ticket sales reconciliations will be submitted and signed at each event's conclusion.	Event Sponsor, Ticket sellers, SFS	Easily accessible payment reports and reconciliation	Event sales reports, ticket numbers for reconciliation. Visual confirmation reporting is complete.	Principal and SFS will review documentation after submission.	
		forms. Time to complete record keeping.			

OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)

Approved Please revise and resubmit plan by _____

Comments: _____

Director: Tamitha E. Campbell Date: 3/23/23